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SUBJECT: IMPLEMENTATION OF RECONSTRUCTION OPPORTUNITY ZONES REQUIRES  
IMMEDIATE COORDINATED INTER-AGENCY ACTION

1. (SBU) SUMMARY: Reconstruction Opportunity Zones (ROZs) will be an important tool for economic development in Afghanistan and the border areas of Pakistan. Embassy Islamabad has developed a description of initiatives which will be essential for the implementation of the ROZs. Many, such as improved labor standards in Pakistan and customs enforcement, will also be legally required if the legislation is approved as drafted. Similarly, the redrafting of the Afghan transit treaty will be necessary for the ROZs to be a success. Embassy Islamabad and Embassy Kabul request that greater interagency coordination and planning commence to prevent delays in implementation. Embassy Islamabad requests TDY assistance in the trade field from USDOC and USDOL to engage in an extended dialogue with the government on implementation of the ROZs and the transit trade issues.

2. (SBU) Embassy Islamabad has sent a chart via unclassified email suggesting supporting initiatives for the ROZs to principals and staff in Washington agencies. These supporting initiatives include 1) Customs enforcement and harmonization; 2) Transit trade, including assistance from technical experts; 3) Investment incentives including political risk insurance; 4) Labor, including technical experts to assist with increased compliance and inspections; 5) Financing, including incentives for small and medium enterprises; 6) Infrastructure upgrades at existing industrial parks; 7) Vocational training and Institutional development; 8) Market outreach and trade promotion and 9) Agriculture, including technical experts for women's empowerment and best agricultural practices.

3. (SBU) Implementation of the ROZs will be critical in the FATA strategy. As instructed by Principals on December 28, this cable outlines proposals to enhance and expedite development projects for Pakistan's FATA and adjacent Pakistan-Afghanistan border areas. END SUMMARY.

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ACTION NEEDED BY WASHINGTON AGENCIES  
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4. (SBU) Afghanistan and the border regions of Pakistan are critical fronts in the struggle against violent extremism. These areas hold few options for legitimate employment, and the resulting poverty and hopelessness are exploited by terrorists and drug traffickers. The governments of Afghanistan and Pakistan have pledged sustained

commitment in the global war on terrorism, and for this effort to be successful we must eliminate the conditions in which violence and lawlessness thrive. The Administration is advancing a three-pronged strategy to counter extremism that leverages political, military, and economic tools. Reconstruction Opportunity Zones (ROZs), which the President first announced in March 2006 in Pakistan, are a critical part of the economic component of the USG strategy and offer a vital opportunity to improve livelihoods, promote good governance and extend and strengthen the hands of the Afghan and Pakistani governments.

¶5. (SBU) In anticipation that legislation to enact the Reconstruction Opportunity Zones will soon be introduced in the U.S Congress, Embassy Islamabad has compiled information on some supporting initiatives that are essential to ensure success of this critical economic tool. The ROZs are an integral part of the strategy for the global war on terror in Afghanistan and Pakistan. It is critical to begin planning the implementation phase of the ROZs now so that the governments of Pakistan and Afghanistan as well as potential investors can readily avail themselves of the opportunities in the ROZs. Action is needed in the short term in order to respond to on the ground realities which necessitate economic development quickly.

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COORDINATING SUPPORTING INITIATIVES ESSENTIAL FOR IMPLEMENTATION  
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¶4. (SBU) Colleagues are requested to enact speedy inter-agency coordination and draw on developed expertise and best practices for swift implementation. The nine suggested supporting initiatives for the ROZs include (in no particular order as each will be essential):

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¶5. (SBU) Customs Enforcement and Harmonization. Recommendations include capacity building, cross border coordination, measures to combat illegal transshipment, modernization and harmonization of the customs for Pakistan and Afghanistan.

¶6. (SBU) Transit Trade. Recommendations include USG support to update the bilateral 1965 Afghan Transit Trade Treaty which governs the movement of goods between Afghanistan and Pakistan. TDY experts are requested to coordinate and develop a mutually acceptable working draft.

¶7. (SBU) Labor. Recommendations include improvements in labor inspections, labor standards, and best practices for companies on both sides of the border. TDY technical experts are requested to assist in training and reestablishing labor inspections.

¶8. (SBU) Investment Incentives. Recommendations include working with the Governments of Afghanistan and Pakistan to develop their internal incentives to lure investment to the targeted ROZ locations.

¶9. (SBU) Financing. Recommendations include development of creative financial incentives and structures which will allow multinational corporations and smaller local business to operate in these difficult areas.

¶10. (SBU) Infrastructure Upgrades. Existing industrial parks in Afghanistan and in the border areas of Pakistan will make ideal locations to designate as the initial ROZ sights, however some infrastructure upgrades will be necessary to meet safety codes and ensure attractiveness to international companies.

¶11. (SBU) Training and Institutional Development. Vocational and skills training targeted specifically to the product sectors which will receive duty free preferences has the potential to transform the region by employing the scores of youth seeking a positive focus.

¶12. (SBU) Market Outreach and Trade Promotion. Duty free preferences are not successful if not included as part of a

coordinated plan to help move goods to awaiting markets. Capacity building for local producers and buyers will open doors and connect these isolated regions to the world economy.

¶13. (SBU) Agriculture and Forestry. Recommendations include capacity building for agricultural development of best practices, improved production, safety standards and livelihood empowerment of women and youth. TDY technical experts are requested to assist in assessing the current agricultural situations and determining areas where USG assistance would be most effective in the ROZs.

¶14. (SBU) Embassy Islamabad would also request that the SCA bureau lead the efforts for outreach to the Afghan and Pakistani Embassies in Washington. Close coordination with Afghan and Pakistani counterparts in Washington will be essential not only for Congressional approval but also for reinforcing the implementation coordination taking place with Ministries in Islamabad and Kabul.

¶15. (SBU) This message and the supporting initiatives chart has been coordinated with Embassy Kabul. The supporting initiatives chart has been sent via unclassified email to the following people in Washington:

For the Department of State: Richard Boucher; Caitlin Hayden; Don Camp; Allysa Aries; John Fox; Edward Wittenstein; Daniel Sullivan; Bill Craft; Christian DeAngelis; Colin Guest; Edwin Sagurton; Alfred Anzaldua; Mark Mittlehauser; Leo Gallagher; Jack Spillsbury; Neil Kromash; Shamila Chaudhary; Michael O'Malley; Richard Sacks; Rozina Damanwala

For USTR: Claudio Lillienfeld; Scott Quesenberry, Lewis Karesh, James Murphy; Aaron Rosenberg

For Commerce: Susan Hamrock, Awinash Bawle

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For Treasury: Stephaine Segal, Gordona Earp, Timothy Skud, Andrew Bauckol,

For OPIC: Dolce Zahnister, Kevin Callahan

For US Agriculture: Mark Keenum, Ellen Terpstra, Michael Yost, Constance Jackson, Kirk Miller, Pat Sheikh, Chuck Alexander, Frank Lee, Ross Kreamer, James Dever

For AID: Mark Ward, Lisa Chiles, Kay Freeman, Nitin Madhav, James Walker, William Butterfield,

For NSC: Elizabeth Millard, Patricia Mahoney, John Herrmann,

For Labor: Charlotte M. Ponticelli, Lawrence W. Casey, Rachel Rigby,

For Department of Homeland Security: Marisa Lino, Karen Marmaud, Michael Feinberg, Jamie Zuieback, Mark Mullen, Luke Bellocchi, Janet Labuda, Brian Fennessy

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